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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

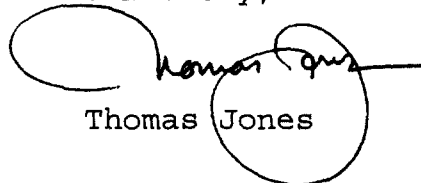
Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222 - Stop code: 1170
Washington, D.C. 20554

Re: Ex Parte Presentation in CC Docket No. 96-98,
CCB/CPD 97-30; CC Docket No. 98-79

Dear Ms. Salas:

On Friday, September 11, 1998, Don Shephard, Vice President of Federal Regulatory Affairs, Time Warner Communications Holdings Inc. d/b/a Time Warner Telecom, and I met with James Schlichting and Catherine Schroeder of the Common Carrier Bureau to discuss reciprocal compensation for delivery of ISP traffic. We left the attached paper.

Sincerely,


Thomas Jones

cc: James Schlichting
Catherine Schroeder



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Reciprocal Compensation for ISP Traffic

- **There is no factual or legal basis for the FCC to eliminate reciprocal compensation for ISP traffic.**
 - The FCC has repeatedly affirmed its determination to treat ISPs as end users utilizing local exchange services purchased out of state tariffs.
 - Section 251(b)(5) of the 1996 Act provides the legal basis for reciprocal compensation for all local calls terminating on interconnecting networks.
 - The Act recognizes that termination of traffic on a competing network generates costs to the terminating network provider.
 - There is no difference between local calls placed to ISPs than to calls placed to any other local end user where reciprocal compensation applies.
 - The call from the end user to the ISP is dialed and routed like any other local call to an end user.
 - End user calls to ISPs are treated like other local calls for billing, accounting, separations, and network operations purposes.
 - Jurisdictional determination of DSL Tariffs has no bearing on reciprocal compensation for local dial-up calling to ISPs.
 - Beyond the scope of the Designation Orders
 - Does not effect status of ISPs as end users and nature of local dial-up for Internet access.

Reciprocal Compensation for ISP Traffic

- **To the extent that existing interconnection agreements and local rate structures do not fully compensate interconnecting carriers, state commissions are authorized to take corrective action.**
 - Renegotiation/arbitration of existing interconnection agreements upon expiration.
 - Generic rate proceedings to explore alternative rate structures and compensation mechanisms.
 - As repeatedly stated by the Commission: *To the extent that some intrastate rate structures fail to compensate ILECs adequately for providing service to customers with high volumes of incoming calls, incumbent local exchange carriers may address their concerns to state regulators.*
- **Reciprocal compensation is not free money that CLECs don't do anything to earn.**
- **While there may be some CLECs, and ISPs certified as CLECs, that do not provide any facilities or dial-tone services, the Commission should let the market respond, rather than intervene to prescribe "marginal" fixes.**

Reciprocal Compensation for ISP Traffic

- **Reciprocal compensation does not deter network investment in advanced data networks.**

- **In maintaining the status quo for ISPs as end users, the Commission should preserve the status quo of reciprocal compensation, and defer to carrier negotiations and state commissions for future resolution. Elimination of reciprocal compensation at this time will:**
 - Harm data services competition
 - Have harmful effects on CLEC finances and ability to continue investing in competing networks
 - Deter competition by creating contractual uncertainty.